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## References


## National Cultures Related to Consumption, Borrowing and Homeownership Decisions

- Uncertainty avoidance (UA)
- Rigidity of codes of belief and behavior, and tolerance of unorthodox behavior and ideas
- Determine incentives for home equity and leverage
- Indulgence (IND)
- Societies that allow relatively free gratification of basic and natural human drives related to enjoying life and having fun
- Reflect individual consumption patterns and saving behavior

## Cultural Diversification in Eurozone

- Migration to Europe

## Motivation

- Foremost evidence on cultural determinants of housing-credit-consumption dynamics
- Why Eurozone? Common monetary policy across member countries eliminates significant monetary policy impacts on the dynamics
- Measure cultural diversification and its effects on the dynamics
- Insight into immigration policies to foster the sustainability of economic recovery

## Empirical Strategy

- Quantify cultural diversification by weighted Euclidean distance
- Cultural distance of each dimension in a country j: w_j population percentage of an ethnicity k in a country j, C_k score of cultural dimension i for an ethnicity k, C_j corresponding cultural score of a target country j. V_i = variance of the score of cultural dimension i

\[ D_{C_i} = \sum_{k=1}^{K} w_j C_k \cdot \sqrt{\frac{\sum_{i=1}^{I} (C_{ik} - C_{jk})^2}{V_i}} \]

- Models: PVAR or PVECM
- Variables (1999Q1-2019Q4):  
  - Endogenous: real house prices (lnp_{t-1}), housing construction measured by the building permits (ht_{t-1}), ratios of private credit to GDP (ipdc_{t-1}), real long-term interest rates (lnr_{t-1}), real personal consumption (lpc_{t-1})  
  - Control: wages, unemployment, inward FDI
- Two panels in each analysis (above or below avg of cultural factors/distance)

## Main Results

### How Cultural Dimensions Shape Housing-Credit-Consumption Dynamics

- Uncertainty avoidance
- Contrary relationships between housing construction and private credits (low vs high UA)
- More prudent credit policies to property developers in higher UA countries
- Long-term wealth effect evidenced in low UA panel only but higher UA residents more likely rely on own savings for home purchase

- Indulgence
- Low IND: confirm housing collateral hypothesis, higher homeownership and insignificant wealth effect
- Positive relationships between house price growth and credits

## Cultural Diversification Effects

- Uncertainty avoidance
  - Less diversified: an increase in lagged house price reduces credits
  - More diversified: exhibit short-term disequilibrium, a short-term rise in housing construction leads to inconsiderable increase in credits
  - Short-term wealth effect is evidenced in more diversified panel only

### Empirical Strategy

- Cultural diversification
  - Raise homeownership incentives
  - Foster financing channels other than traditional bank borrowings
  - Lead to consumption-driven economy

## Policy Implication

- Immigration policies may consider migrants of culturally diverse backgrounds when unified monetary policies hinder flexible adjustments for a member country

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